

Message Text

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ORIGIN ARA-10

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FM SECSTATE WASHDC
TO AMEMBASSY LIMA IMMEDIATE
AMEMBASSY LA PAZ PRIORITY

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STADIS/////////////////////////////////
LIMDIS

E.O. 11652: N/A

TAGS: ECON, EALR, PE

SUBJECT: PERU'S ECONOMIC PROBLEMS
F
REFERENCE: LIMA 6741

1. WE CONTINUE TO BE INTERESTED IN AND ALERT TO DEVELOP-
MENTS IN THE PERUVIAN ECONOMIC SITUATION. IN PARA. 4 OF
REFTEL, YOU COMMENTED ON U.S. POLICY WITH REGARD TO THE
PERUVIAN ECONOMIC CRISIS AND PERU'S ATTEMPTS TO OBTAIN HELP
FROM THE INTERNATIONAL FINANCIAL COMMUNITY.

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2. YOUR COMMENTS, AND THE ACTIVITIES OF ARMANDO PRUGUE,
PERU'S EXECUTIVE DIRECTOR TO THE IDB, HAVE RAISED SOME
QUESTIONS HERE CONCERNING THE APPROPRIATE USG STANCE TOWARD
LARGE LOAN PROPOSALS FROM THE IDB AND THE IBRD. WE UNDER-
STAND THAT PRUGUE IS IN LIMA TO PARTICIPATE IN DISCUSSIONS
OF THE ECONOMIC SITUATION AND MAY BE SEEKING TO REINFORCE

PERU'S INTEREST IN OBTAINING A LOAN OF 47 MILLION DOLLARS FROM THE FSO FOR THE HIGHWAY BETWEEN ILO AND DESAGUADERO. WE UNDERSTAND FURTHER THAT THERE MAY BE SOME RELUCTANCE ON THE PART OF THE IDB STAFF TO GO FORWARD WITH THIS LOAN GIVEN LOW PROJECTED ECONOMIC RATE OF RETURN AND THE PRESENT ECONOMIC CIRCUMSTANCES IN PERU.

3. OTHER IDB LOANS SCHEDULED THIS YEAR ARE: GLOBAL CREDIT FOR SMALL AND MEDIUM MINING INDUSTRIES (12 MILLION DOLLARS), INFRASTRUCTURE AND LABORATORIES FOR THE NATIONAL INSTITUTES OF HEALTH (12 MILLION DOLLARS), AND A SMELTING PLANT FOR INDU PERU (15 MILLION DOLLARS). PERU ALSO HAS FOUR LOANS PENDING IN THE IBRD: AGRICULTURAL CREDIT (29 MILLION DOLLARS), REHABILITATION OF LIMA WATER SUPPLY (50 MILLION DOLLARS), DESALINIZATION AND DRAINAGE OF LOWER PIURA VALLEY (60 MILLION DOLLARS), AND UPGRADING OF DOMESTIC AIRPORTS (20 MILLION DOLLARS).

4. THE SUCCESS OF ALL OF THESE LOANS WILL DEPEND IN PART ON THE GOP'S ABILITY AND WILLINGNESS TO PROVIDE COMPLEMENTARY FINANCING AND OTHER SUPPORTING RESOURCES. TO HELP US IN EVALUATING THE PROPOSALS AND DECIDING ON THE POSITION WE SHOULD TAKE, WE WOULD APPRECIATE SOME FURTHER ELABORATION OF YOUR JUDGMENT AND ATTITUDES ON THE ABILITY OF THE PERUVIAN GOVERNMENT TO IMPLEMENT THE PROJECTS AND THE ECONOMIC BENEFITS THEY WILL PROVIDE, AND YOUR VIEWS LIMITED OFFICIAL USE

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ON THE RELATIONSHIP OF THESE LENDING PROGRAMS TO U.S. OBJECTIVES IN PERU AT THIS TIME.

5. WE WOULD ALSO BE INTERESTED IN RECOMMENDATIONS YOU MIGHT HAVE CONCERNING OTHER PROJECTS WHICH COULD ASSIST IN MEETING U.S. OBJECTIVES.

6. FOR LA PAZ: THE IDB STAFF ESTIMATES THAT TWO-THIRDS OF THE ECONOMIC BENEFITS OF THE ILO-DESAGUADERO ROAD WILL ACCRUE TO BOLIVIA BY PROVIDING EASIER TRUCK ACCESS FROM LA PAZ TO THE PACIFIC. WE WOULD APPRECIATE YOUR COMMENTS. VANCE

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